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COMPANIES SAY THEY PLAN TO INVEST UP TO \$450M TO DEVELOP PROPERTY

By Clair Johnson

ROUNDUP - With new owners and a new name, the coal mine south of Roundup is poised to significantly boost production from the state's only underground coal mine.

Officials from Boich Cos., a coal company based in Columbus, Ohio, and FirstEnergy Corp., a utility based in Akron, Ohio, toured the site Thursday with Gov. Brian Schweitzer. The companies bought the mine last month.

Formerly known as the Bull Mountain Coal mine, the renamed Signal Peak Energy mine is expected to start supplying Midwestern power plants with high-heat, low-pollution coal by about this time next year. Signal Peak is a rock formation in the area.

"We're very happy to be involved in the project," said chief executive officer Wayne M. Boich. "We plan on being here for a long time. We feel we won't have a problem selling the coal."

The companies are investing \$400 million to \$450 million to develop and expand the mine, which includes a 35-mile railroad spur that will haul coal from the mine to the BNSF Railway line at Broadview. The development will include a new coal preparation plant and longwall mining equipment.

Construction of the rail line has begun near Broadview. BNSF has "been very receptive" to hauling Signal Peak coal, Boich said. The companies will maintain and operate the railroad spur while BNSF supplies the cars, officials said.

Running a railroad is "nothing new to us," said Boich's father, Wayne Boich, the company's chairman.

Anthony J. Alexander, president and chief executive officer of FirstEnergy, called the project "absolutely outstanding," saying it will open new energy reserves for the country while reducing power plant emissions.

"This is a big day for Montana," Schweitzer said. The mine has the potential to become the most productive longwall mine in the country and maybe the world, he said. "These are visionary people who have been in the coal business many years."

The owners have big checkbooks and the resources to get the job done where previous owners didn't, the governor said.

The mine's current daily production of about 2,000 tons is being tested. Production is expected to increase to at least 13 million tons annually, officials said.

FirstEnergy has a 15-year contract to buy up to 10 million tons of coal annually from the mine and has tentative contracts with rail haulers. The coal will supply four power plants along Lake Erie and be marketed to other power plants in Ohio and Pennsylvania, Alexander said.

The owners can market additional coal to other areas, including to potential customers in the West or international markets.

The Signal Peak coal will replace Powder River Basin coal burned at the Ohio plants, Alexander said. Delivery of the Montana coal is to begin in late 2009 or early 2010.

The Signal Peak coal has a higher heat value and contains less mercury than Powder River Basin coal, and it burns cleaner than typical Eastern coal because it has about half the sulfur and ash.

And with an estimated 340 million tons of coal reserves, the site is one of the largest contiguous coal seams in the U.S, according to John DeMichiei, president and chief executive officer of Signal Peak Energy in Billings.

The underground coal is not more expensive than coal mined by open pits because of the coal's quality and the reserves, the elder Boich said. The Signal Peak coal "competes very well," he said.

The Bull Mountain mine has struggled for years under previous ownership because of bad debts, environmental and mine permit violations and lawsuits. At one time, previous owners proposed building a power plant near the mine, but the permit ultimately expired. The Signal Peak owners said they have no plans to build a power plant.

Boich Cos. and FirstEnergy took over last month when they bought 80 percent of the mine along with the rights-of-way needed for the railroad. Bull Mountain Coal Mining Inc. retained 20 percent interest in the mine. That company is controlled by the Airlie Group, a Connecticut investment fund. Boich and FirstEnergy have the option to buy Bull Mountain's stake after 18 months. A FirstEnergy subsidiary owns a 45 percent interest; Boich Cos. owns 55 percent.

FirstEnergy is the nation's fifth-largest investor-owned electric system, with 4.5 million customers in Ohio, Pennsylvania and New Jersey.

Boich Cos. got involved with the mine because it obtained contracts with FirstEnergy, the mine's coal reserves and the mine's manager, the senior Boich said.

DeMichiei, who headed the Bull Mountain operations under the former owners, and his team have the expertise to run a successful operation, he said. DeMichiei joined the

Bull Mountain mine in 2005 and has more than 30 years of coal mining experience, including 13 years as a federal regulator.

DeMichiei said the mine has 63 workers and will employ up to 200 people by next spring. The longwall machinery, which gouges coal from panels called longwalls, is to be installed by next June. As the coal is removed, the ground above collapses. The preparation plat is set to be completed by July.

"We're committed to doing it right," DeMichiei said